

Electricity Industry Cost Escalation – April 2022

With recent (18th April 2022) fuel price revision and the rupee depreciation against the US Dollar, the electricity sector cost of supply is experiencing an exponential increase in costs that make the industry financially unviable.

Assumptions

1. Coal Price USD 285/MT
2. Diesel LKR 289/Ltr
3. Furnace Oil LKR 270/Ltr
4. Exchange Rate LKR 340/USD
5. No load shedding

Plant wise generation cost– 20th April 2022

Plant	Energy Cost (LKR/kWh)	Capacity Cost (LKR/kWh)	Total generation Cost (LKR/kWh)	Loss (10%)	T & D cost (LKR/kWh)	Total Delivered cost (LKR/kWh)
Large Hydro	0	7.19	7.19	0.72	9.31	17.22
Norachcholai	40.41	3.22	43.63	4.36	9.31	57.30
Sapugaskanda A	67.30	4.22	71.52	7.15	9.31	87.98
SapugaskandaB	63.16	3.10	66.26	6.63	9.31	82.20
UthuruJanani	65.03	4.72	69.75	6.98	9.31	86.04
Barge	60.27	1.11	61.38	6.14	9.31	76.83
Kelanitissa CCGT	61.57	1.67	63.24	6.32	9.31	78.87
WCP	70.64	6.08	76.72	7.67	9.31	93.70
SojitzCCP	64.63	1.13	65.76	6.58	9.31	81.65
KPS(GT7)	105.62	3.79	109.41	10.94	9.31	129.66
KPS(GT)	140.71	13.04	153.75	15.38	9.31	178.44
KPS_DPP_THULHIRIYA	79.09	2.30	81.39	8.14	9.31	98.84
KPS_DPP_MATUGAMA	79.22	2.58	81.80	8.18	9.31	99.29

KPS_DPP_KOLONNAWA	79.14	2.43	81.57	8.16	9.31	99.04
Solar**	19.90	0	19.90	1.99	9.31	31.20
Wind**	12.11	0	12.11	1.21	9.31	22.63
BMP**	38.31	0	38.31	3.83	9.31	51.45
CEB/IPPMiniHydro***	15.77	0	15.77	1.58	9.31	26.66

Estimated Cost of supply – 20th April 2022 (for the first Half 2022)

	Cost (LKR /KWh)
Generation - Energy Cost	42.58
Generation - Capacity Cost	2.92
Total generation cost	45.50
Losses (10%)	4.55
Transmission Revenue Cap	1.23
BSOB Revenue Cap	0.21
Term Loan	1.40
Distribution Revenue Cap	5.45
Retail Cost	1.03
Total Cost	59.36

At the current tariff, revenue for the first half of the year (2022) would be LKR 143 billion, while the cost of supply would be LKR 468 billion at the current costs for the same period, which indicate an LKR 650 billion annual deficit going forward. This implies a requirement to increase CEB revenue by 327% via tariff increase and/ or subsidies.

Such a deficit, or even higher deficit is highly plausible as the exchange rate can further increase and the international coal/ oil prices are much higher than the assumed levels in this estimate. In addition, the impact on CEB/ LECO operating costs due to higher exchange rate (other than fuel cost) and domestic inflation is not captured in the assumptions.